

RE 310 – Principles of Real Estate Urban and Regional Economics

1) Factors Influencing the Growth and Decline of Cities

a) Transportation factors

b) Educational facilities

c) Created environment

d) Natural resources

e) Climate and amenities

f) Labor force

g) Political factors

h) Leadership

2) Economic Base Analysis

a) Basic activities

b) Nonbasic activities

c) Increases in basic employment will have a *multiplier effect* within a community.

3) The bid-rent curve and price-distance relationships

a) Key question: How are land values (rents) and land uses determined in an urban area?

- What determines the _____ of a parcel of land?

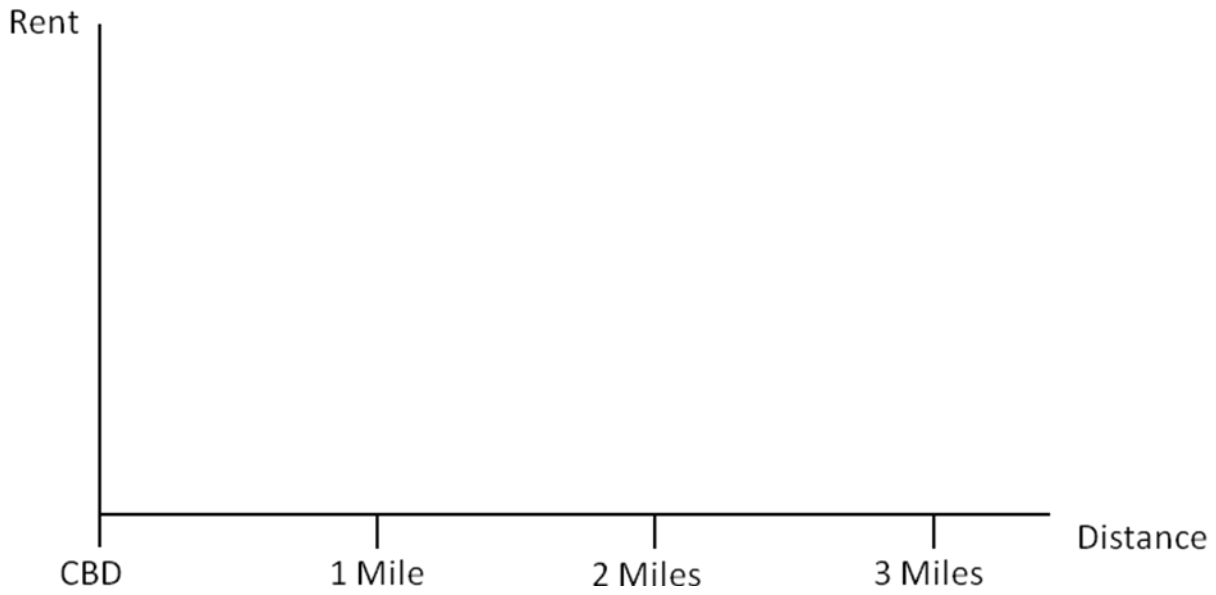
- The central force creating cities is the demand for _____. It is the “economic gravity” that holds a city together.

- A simple economic model shows how this “gravity” helps determine rents, values and land use.

b) Deriving bid-rent curves

- Consider a simple, two-dimensional city that has 318 households that work in the central business district (CBD) and must commute to and from work each day (20 work days per month).
 - Commuting results in a loss of time for households; the opportunity cost of this time is the household’s wage rate.
- Households live on lots that are 100 feet wide spreading out in both directions from the CBD; other than their distance from the CBD, each lot is identical.
- The cost of commuting will determine how much households will be willing to pay for lots that are close to the CBD. Each household earns \$20 per hour and can commute 20 miles per hour.
 - The daily cost of commuting is
 - The monthly cost of commuting is

- The size of the city is determined by the number of households:



- The total cost of commuting to the CBD from the farthest lot is:

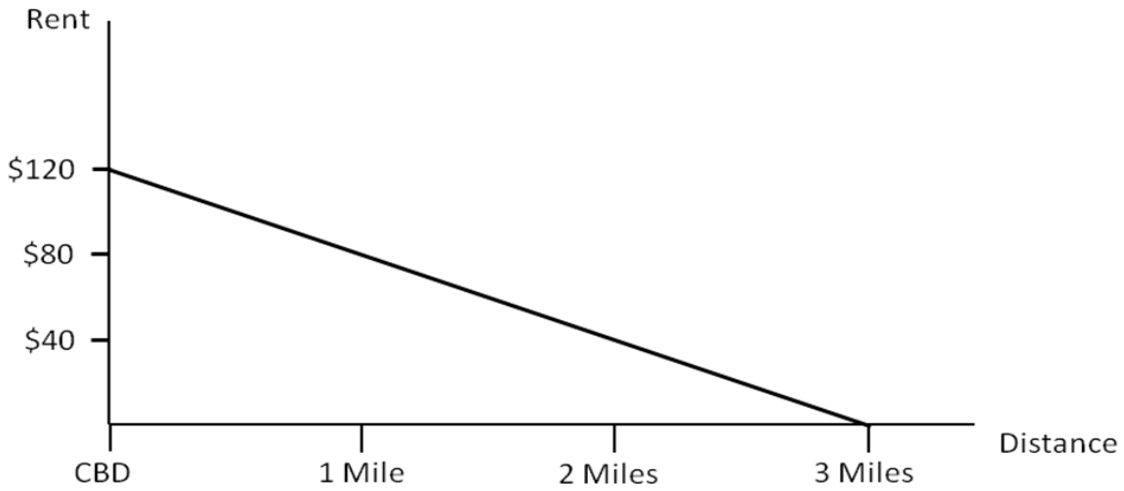
- If the rent for the farthest lot is \$0 per month, then the rent for the closest lot must be _____.

- Each additional mile a household lives from the CBD increases commuting costs by \$40 per month.
 - Rent for lot 1 mile from CBD:

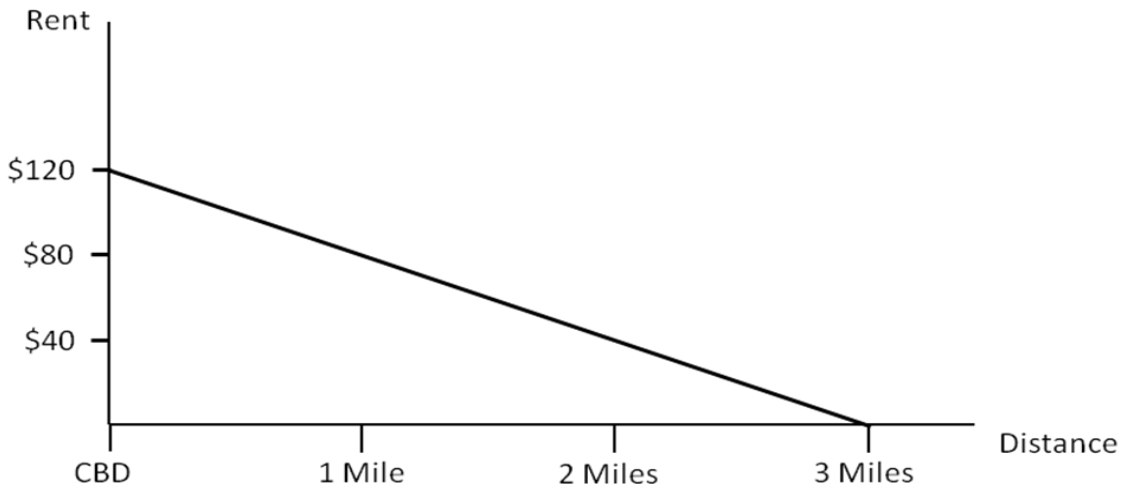
 - Rent for lot 2 miles from CBD:

c) Factors affecting land values (rents) in the bid-rent model

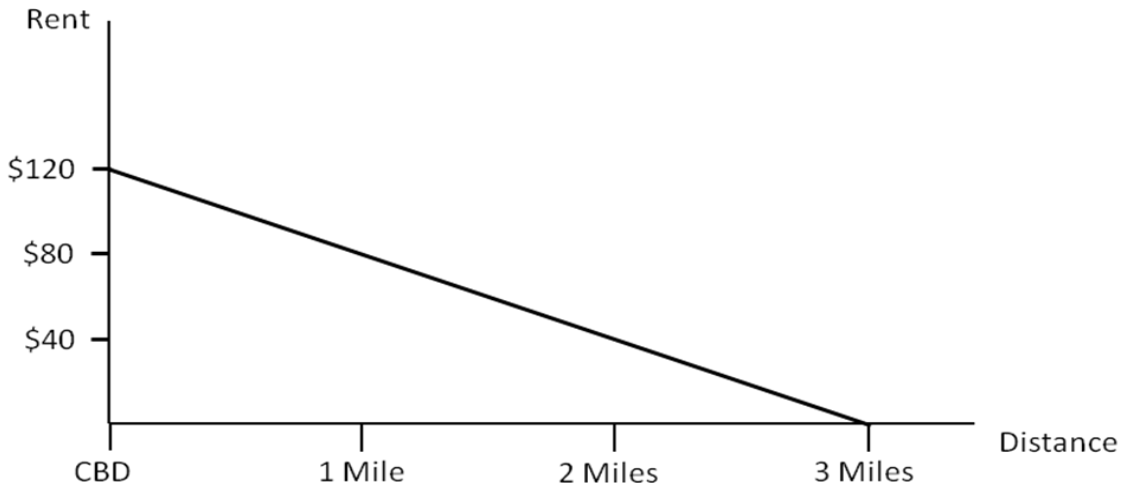
- Higher income levels (wage rates)



- More households (increased population or fewer people per household)



- Higher density housing (smaller lot sizes)



4) How Do Cities Grow?

a) The economic rationale for urbanization builds on the concepts of

- Scale economies

- Agglomeration economies

b) Concentric Circle Theory – Ernest Burgess, *The City* (1925)

- Key idea:

c) Axial Theory – Richard Hurd, *Principles of City Land Values* (1903)

- Key idea:

d) Sector Theory – Homer Hoyt (1930s)

- Key idea:

e) Multiple Nuclei Theory – Chauncey Harris and Edward Ullman (1940s)

- Key idea:

f) Other factors affecting urban growth

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5) Wichita growth by decade

6) Dynamics of Neighborhood Change

a) A *neighborhood* is an area within a community in which property types and users are _____.

- Whether residential or commercial, the condition of a neighborhood does not remain static over time

b) Neighborhood change over time can be described as a “life cycle” with many stages:

- Gestation
- Youth
- Maturity
- Incipient decline
- Clear decline

- Accelerating decline

- Death or abandonment

It is important to remember that there is no single life cycle that all neighborhoods follow; at any stage external or internal factors may revitalize a declining neighborhood.

- Gentrification